

# Virginia Department of Social Services

## TITLE IV-E MATRIX UNDERSTANDING AND CLAIMING IV-E FOSTER CARE ADMINISTRATIVE COSTS March 1, 2004

### ➤ **Application of Administrative Information:**

The administrative information contained these “Matrix” related documents pertain primarily to applicable child-care institutions (group homes and residential facilities) under contract with a LDSS to provide care and services to eligible foster children. It is being provided to help ensure that the administrative costs of these homes and facilities are properly invoiced to the LDSS and claimed accurately for IV-E funding.

Existing processes have been in use to capture LDSS administrative costs, therefore, the LDSS should not modify their reimbursement methodology based on this information without written approval from the appropriate State office.

### ➤ **Administrative Costs Introduction:**

There are two types of administrative costs; direct and indirect. The type is usually determined by available documentation and/or the effort needed to determine which specific cost objective to claim it under.

- **Direct Cost:**

A Direct/Child specific cost is one that is identifiable with a specific function or activity. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives. Examples of direct costs are the labor and non-labor direct care costs that are required to operate a 24-Hour Child Care facility. Direct costs are usually supported by documentation such as time sheets or statistics that enables the cost to be easily identifiable.

- **Indirect Costs:**

These are expenses incurred for a common or joint purpose benefiting more than one cost objective, (IV-E and others), and not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Normally, indirect costs are assigned by an organization to a cost objective (specific activity, component or program) via a systematic cost allocation process. Examples of indirect costs are the administration costs such as: utilities related to the operation of such a facility, payroll processing, A/P processing, the budget process, cost of audits, information systems support, centralized material management, Human Resources, printing services, mail services, archives/record managements, etc.